

Message Text

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E.O. 11652: N/A
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SUBJ: GOE OFFICIAL RAISES SUBJECT OF AID SUPPORT FOR INVESTMENTPROJECTS

1. IN RESPONDING TO QUESTION DURING EGYPT-U.S. JOINT BUSINESS COUNCIL (JBC) SESSION APRIL 26, NEW GOE MINISTER OF PLANNING ABDEL RAZZAK ABDEL MEGUID SUGGESTED THAT AID FUNDS BE MADE AVAILABLE TO FINANCE FOREIGN CURRENCY NEEDS OF INVESTMENT PROJECTS IN EGYPT IN WHICH U.S. FIRMS ARE INVOLVED. MEGUID TOLD AUDIENCE THAT WITH ONLY \$10 MILLION -- ABOUT ONE PERCENT OF CURRENT YEAR'S US AID COMMITMENT -- DEVOTED TO THIS PURPOSE, FOREIGN EXCHANGE NEEDS OF UNION CARBIDE, GOODYEAR, AND , IN LARGE PART, FORD COULD BE TAKEN CARE OF. WEITH \$100 MILLION, 10 PERCENT OF AID FUNDS, FOREIGN EXCHANGE REQUIREMENTS OF ALL PROSPECTIVE US INVESTORS COULD EASILY BE ACCOMMODATED. SINCE GOE WOULD NOT WISH REDUCE LEVEL OF AID FUNDING FOR CURRENT USES, MEGUID SUGGESTED THAT MONEY FOR INVESTMENT PROJECT NEEDS BY AN ADDITION TO PRESENT AID LEVELS.

2. MEGUID WAS SHORT ON DETAILS, BUT APPEARED TO ENVISION GOE MAKING FOREIGN EXCHANGE DIRECTLY AVAILABLE TO FIRMS RATHER THAN, FOR EXAMPEL, CIP-TYPE OF ARRANGEMENT WHEREBY GOE WOULD MAKE AVAILABLE, WITHOUT NEED TO EXPEND FX, THE IMPORTED RAW MATERIALS RE-
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QUIRED BY INVESTORS.

3. AT VARIOUS FUNCTIONS FOLLOWING MEGUID'S PRESENTATION, SOME MEMBERS OF JBC RAISED SEPARATELY WITH AMBASSADOR AND AID DIRECTOR QUESTION OF HOW AID FUNDS OR PROGRAMS COULD BE USED TO PROVIDE OR REDUCE NNED FOR FOREIGN EXCHANGE IN CONNECTION WITH INVESTMENT PROJECTS UNDERTAKEN BY US FIRMS. IN HIS RESPONSE TO THESE INQUIR-

IES, AID DIRECTOR MADE FOLLOWING POINTS:

A. IT IS HIGHLY UNLIKELY THAT CONGRESS WOULD BE PREPARED TO MAKE ADDITIONAL RESOURCES AVAILABLE TO EGYPT FOR THIS PURPOSE, AND ANY EARMARKING FOR BUSINESS SUPPORT WOULD UNDOUBTEDLY HAVE TO BE AGAINST WHATEVER APPROPRIATIONS CONGRESS MIGHT APPROVE.

B. THERE ARE ALREADY MECHANISMS WITHIN AID PROGRAM WHICH ARE AVAILABLE TO ASSIST SPECIFIC INVESTMENT PROPOSALS, E.G. CIP PROGRAMS, U.S. FINANCING FOR PRIVATE SECTOR THROUGH DEVELOPMENT INDUSTRIAL BANK, AID WILLINGNESS CONSIDER DIRECT LOAN CAPITAL FOR SUPPORT OF CERTAIN TYPE OF INVESTMENTS, PARTICULARLY AGRO-INDUSTRIAL, ETC.

C. NO ONE KNOWS HOW LONG AID PROGRAMS WILL RUN AT CURRENT LEVELS. INVESTORS MUST BE ASSURED OF CONTINUING AVAILABILITY OF FOREIGN EXCHANGE RESOURCES FOR THEIR PROGRAMS. IF THEY GET TIED UP WITH DEPENDENCE ON AID EARMARKING THEY COULD END UP IN DIFFICULT CIRCUMSTANCES IF AID LEVELS WERE CUT.

D. SEEKING TO EARMARK 10 PERCENT OF TOTAL US ECONOMIC ASSISTANCE PROGRAMS AS MEGUID SUGGESTS (WHICH REALLY MEANS MORE LIKE 15 PERCENT OF AID APPROPRIATIONS) THREATENS TO TIE UP AID FUNDS IN EARMARKED AMOUNTS WHICH MAY NOT ACTUALLY BE USED IF INVESTMENTS DON'T PROCEED PROMPTLY AND FOREIGN EXCHANGE NEEDS DO NOT DEVELOP IN SHORT TERM. THERE ARE ALREADY ENOUGH PROBLEMS IN MAINTAINING MOMENTUM OF AID EXPENDITURES WITHOUT ADDING THIS MAJOR DELAYING FACTOR.

4. US MEMBERS OF COUNCIL WITH WHOM AID DIRECTOR TALKED FELT THAT ABOVE ARGUMENTS WERE IMPORTANT AND WERE STRONGLY INCLINED REJECT ANY SUPPORT FOR MEGUID'S SUGGESTION. AID DIRECTOR HOPES MEET
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WITH MEGUID FURTHER IN NEAR FUTURE AND WILL DISCUSS WITH HIM THEN.

5. AS DEPARTMENT AND AID AWARE, THIS IS COMPLEX SUBJECT WHICH HAS BEEN DISCUSSED IN PAST AND SOME ASPECTS OF WHICH ARE CURRENTLY BEING EXPLORED. WE ARE REPORTING MATTER HERE SINCE INTEREST OF JBC MEMBERS IN SUBJECT MAY PROMPT FURTHER QUERIES.
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